

# Where Does The Money Come From?

## Where Does the Money Go?



## An Overview of the State's Revenues and Expenditures



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Office of Fiscal Analysis  
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# Office of Fiscal Analysis Connecticut General Assembly



- ❖ We are a Non-partisan Professional Staff Office
- ❖ We Serve the Appropriations & Finance Committees, Legislative Leadership, Substantive Committees, Rank and File Legislators
- ❖ We Conduct Research on Programs, Budget Recommendations, and New Initiatives
- ❖ We Provide Legislative Oversight of State's Annual \$14 Billion Budget

# OFA Staff Role



- Analyze Current Services Estimates, Track & Forecast Expenditure & Revenue Levels
- Develop Forecasting Models
- Develop Out-Year Expenditure & Revenue Projections
- Estimate Costs and Program Impact for All Legislative Budgetary Changes
- Record Legislative Intent
- Assist in Developing Alternative Proposals
- Analyze Fiscal Impact of All Bills & Amendments
- Prepare & Publish Budget Book Based on Final Action

# STATE BUDGET- FY05



## GENERAL FUND

\$13.226 BILLION



## TRANSPORTATION FUND

\$929 MILLION



## MASHANTUCKET PEQUOT AND MOHEGAN FUND

\$85 MILLION

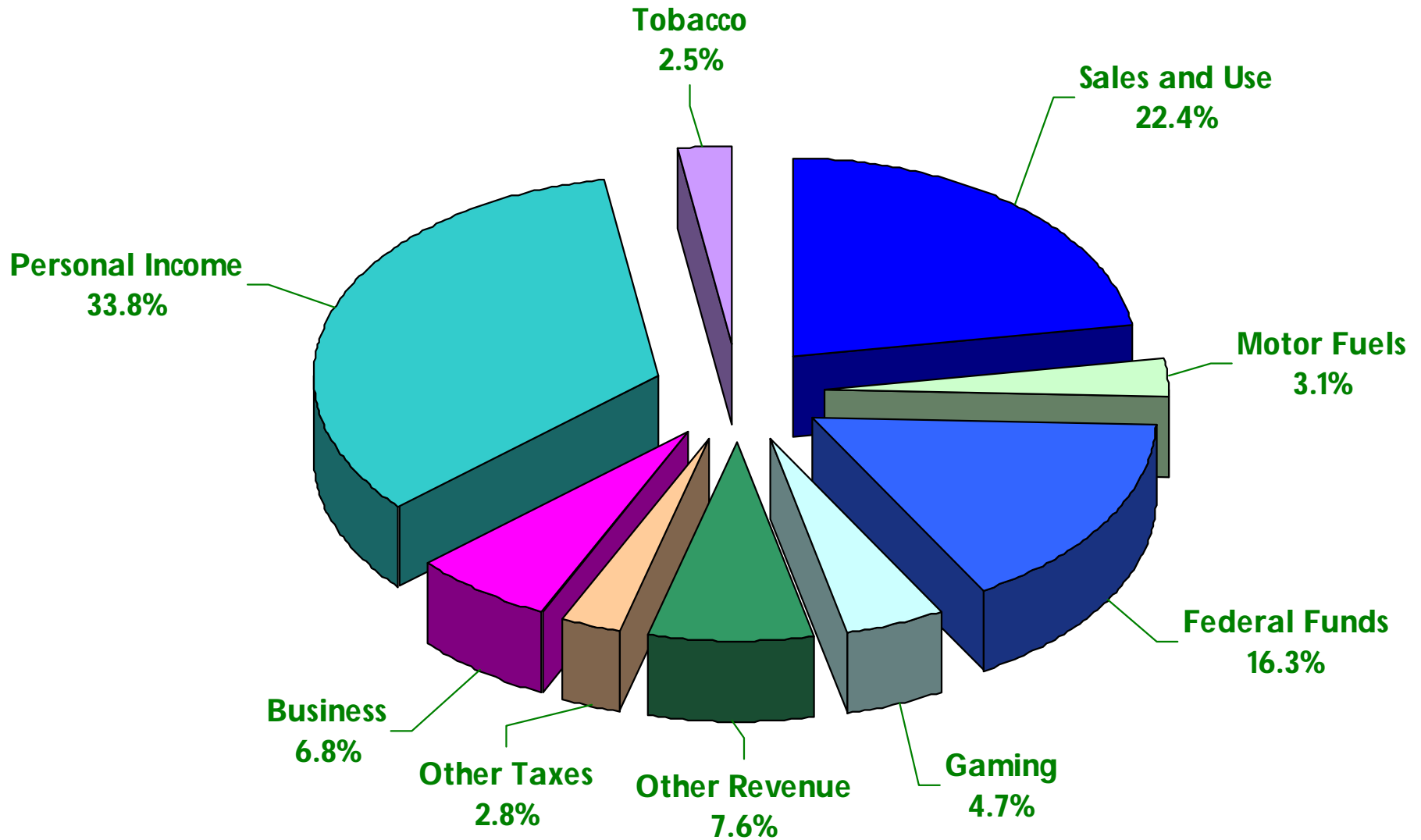


## ALL OTHER FUNDS

\$81 MILLION

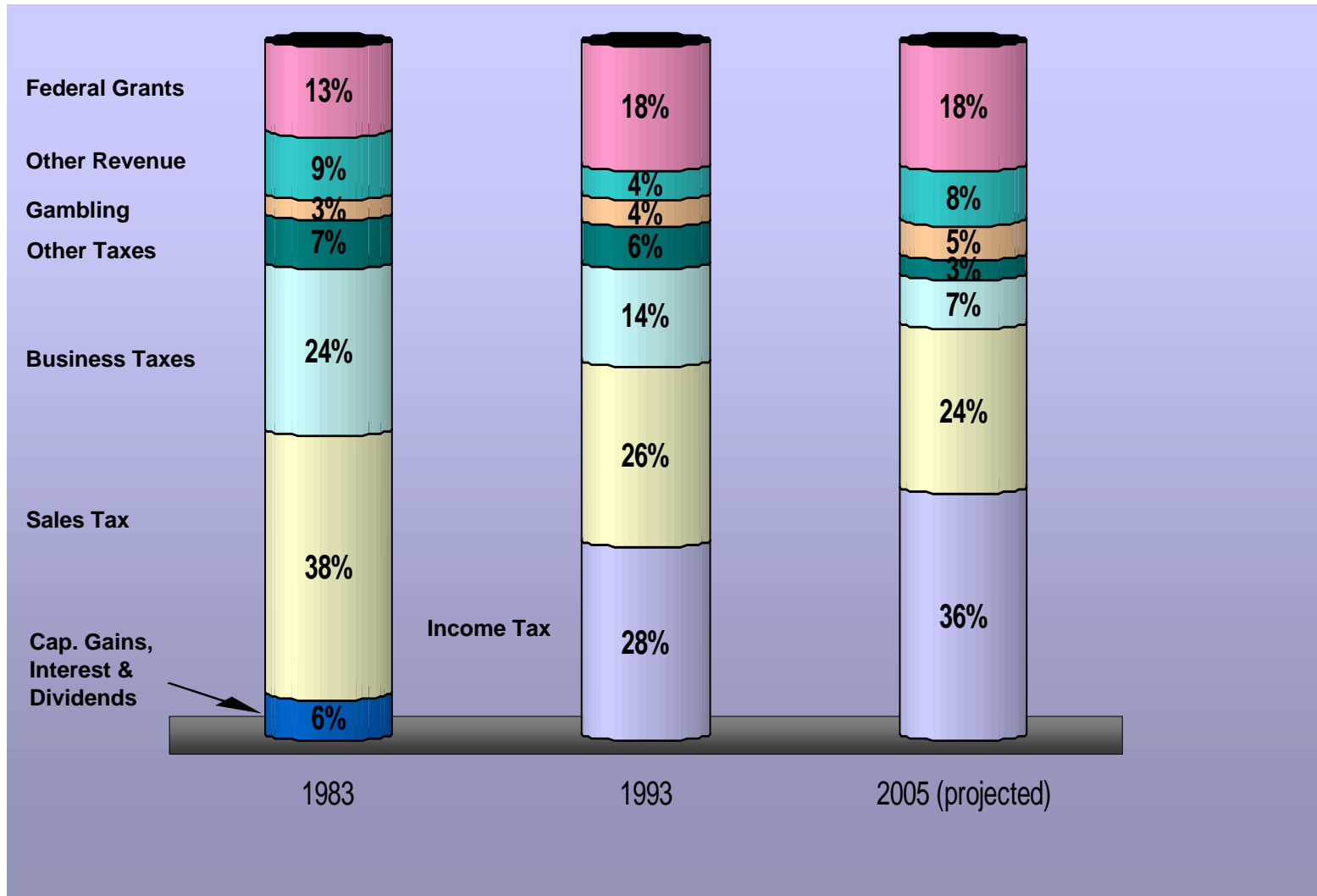
# REVENUE

(All Appropriated Funds)  
FY 05 \$14,423.8 Million



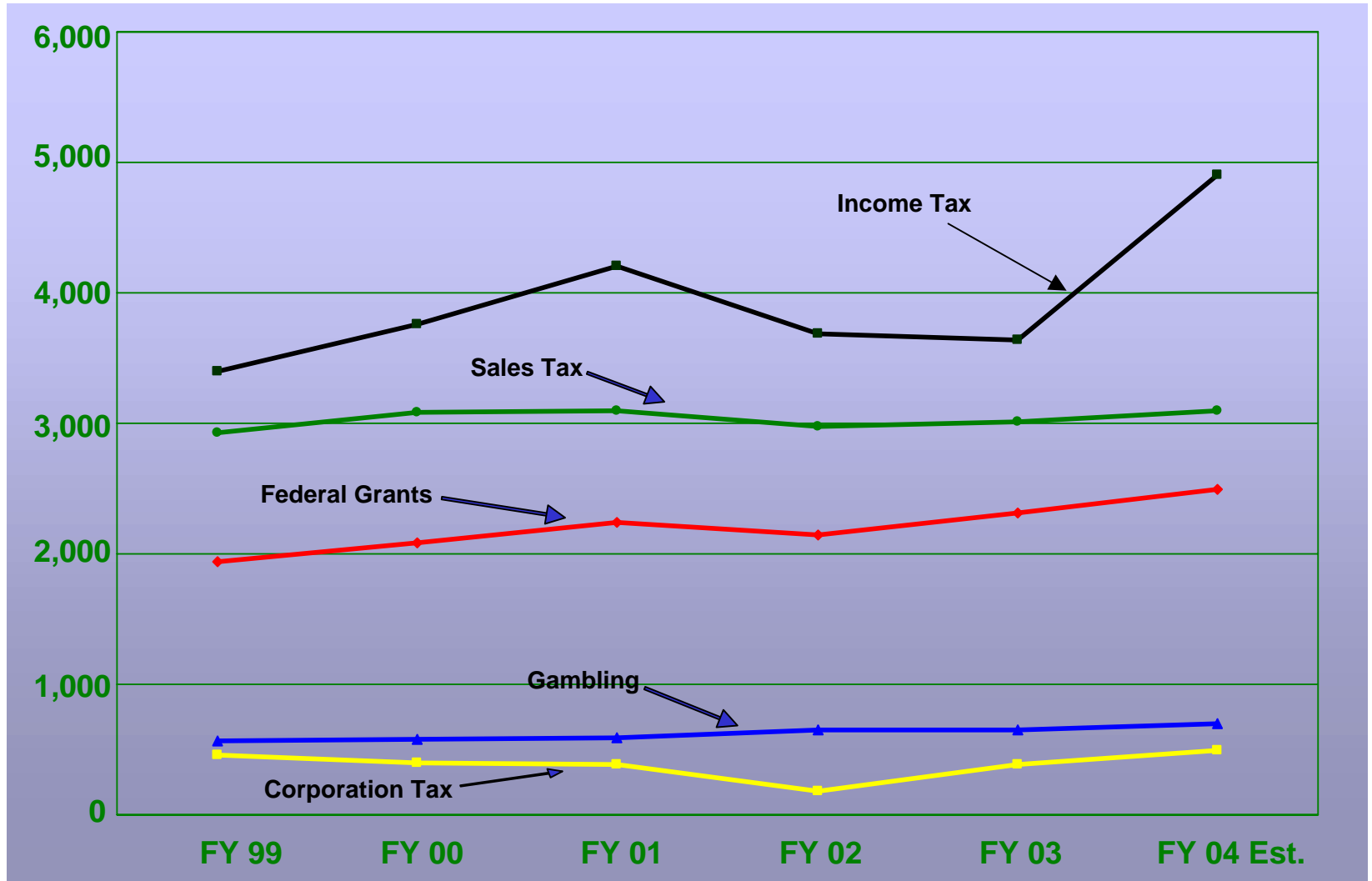
Source: Office of Fiscal Analysis

# General Fund Revenue History



Source: Comptroller's Annual Report and Office of Fiscal Analysis

# Revenue Since 1999



Source: Comptroller's Report Various Years

# **Income Tax Revenues**

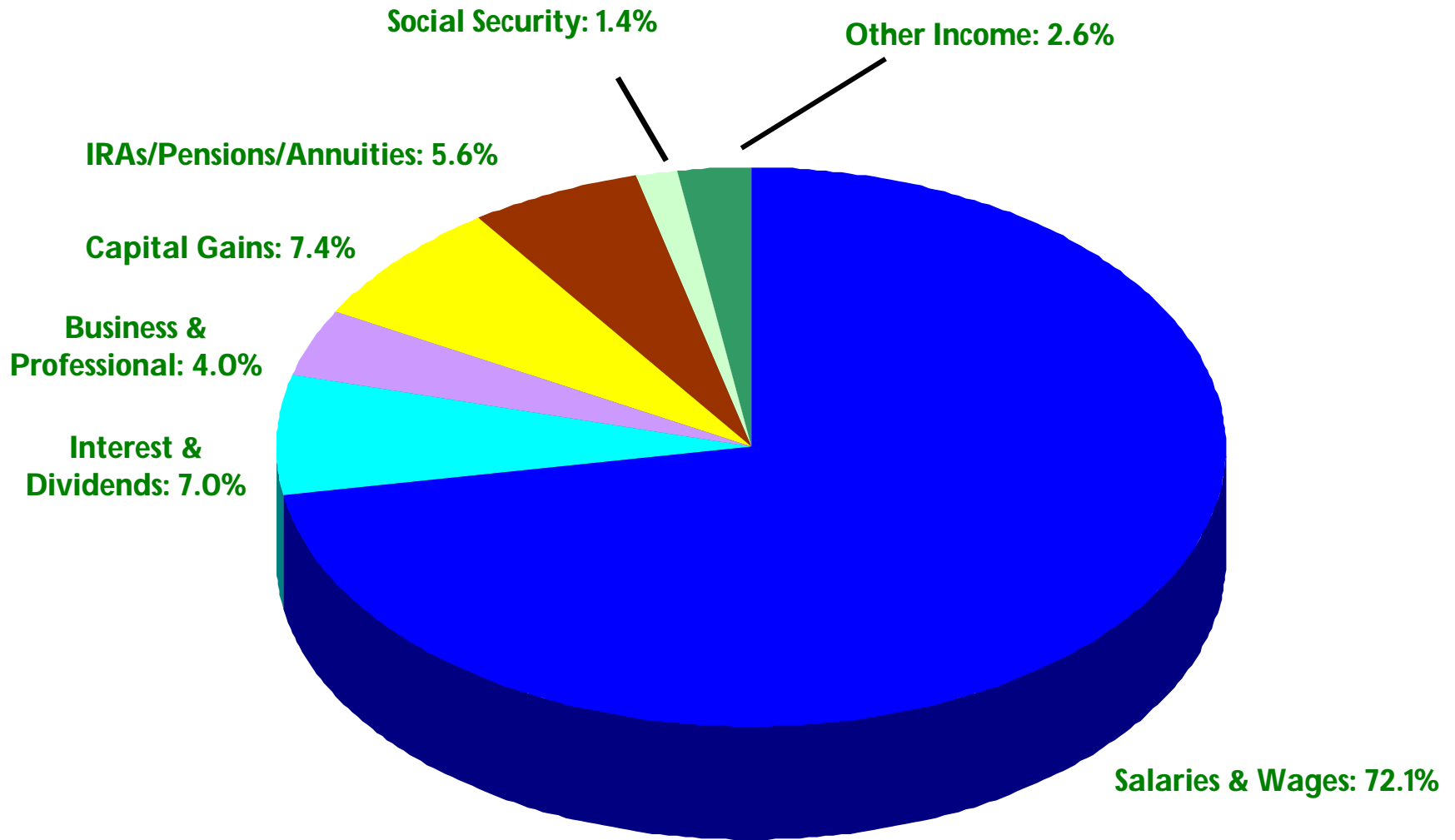
**Total FY 04 Collections**

**\$4.9 Billion (Est.)**

Source: Office of Fiscal Analysis



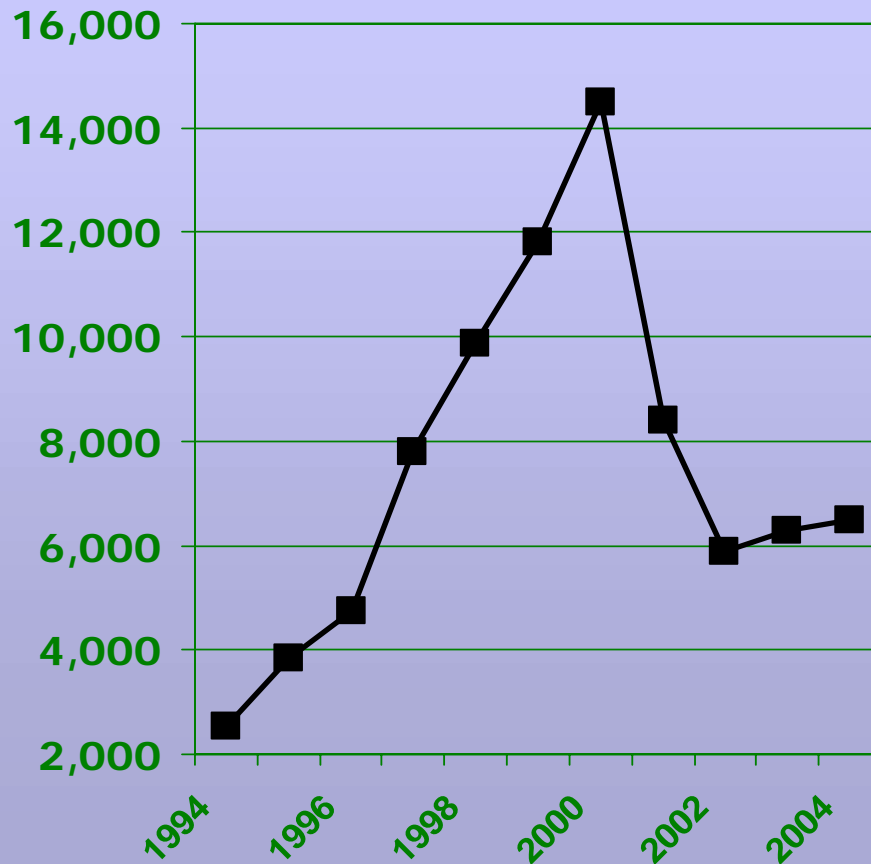
# 2002 Personal Income



Source: Department of Revenue Services

# CT. Capital Gains

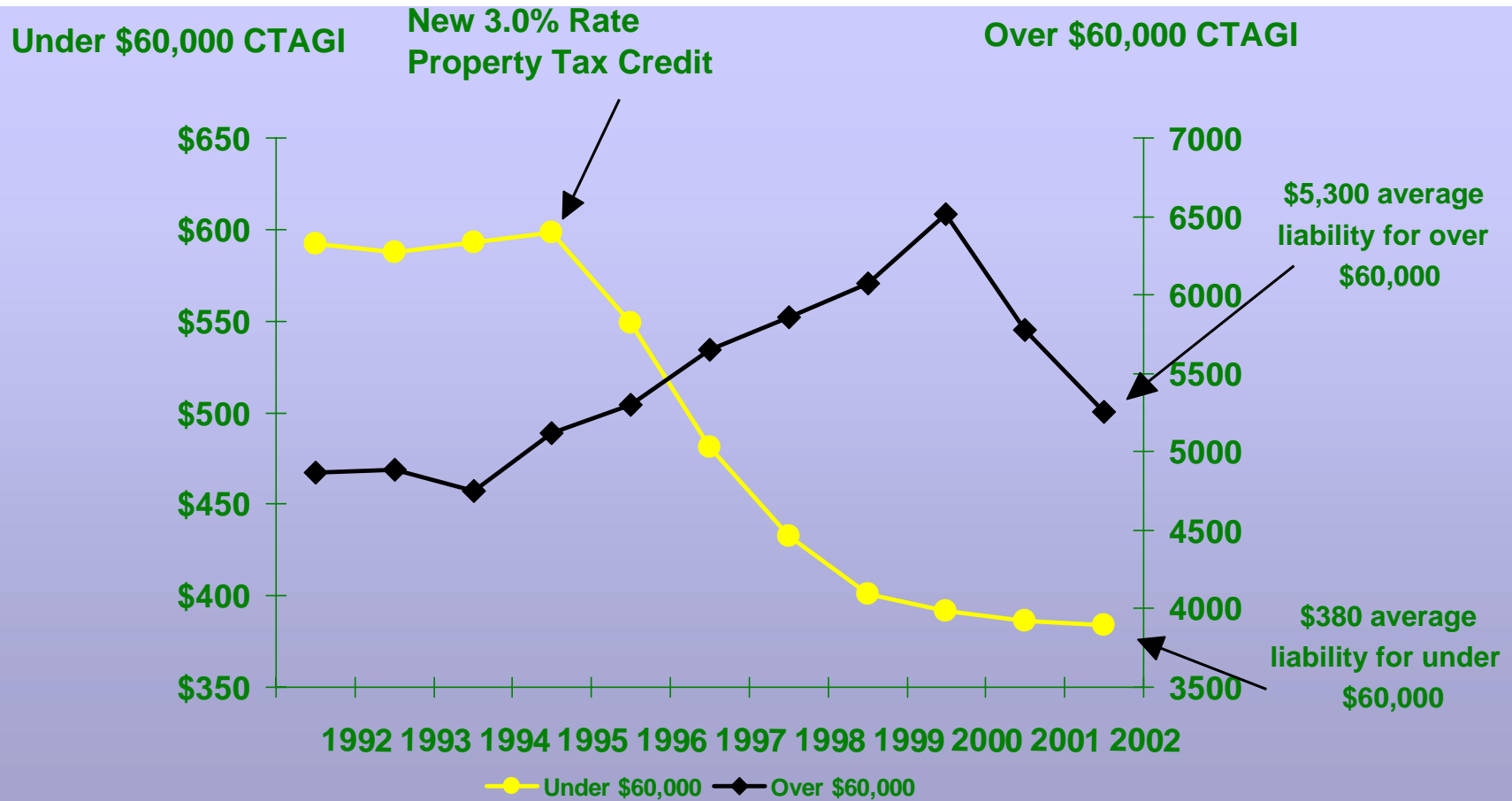
**Total (in millions)**



**Annual % Change**

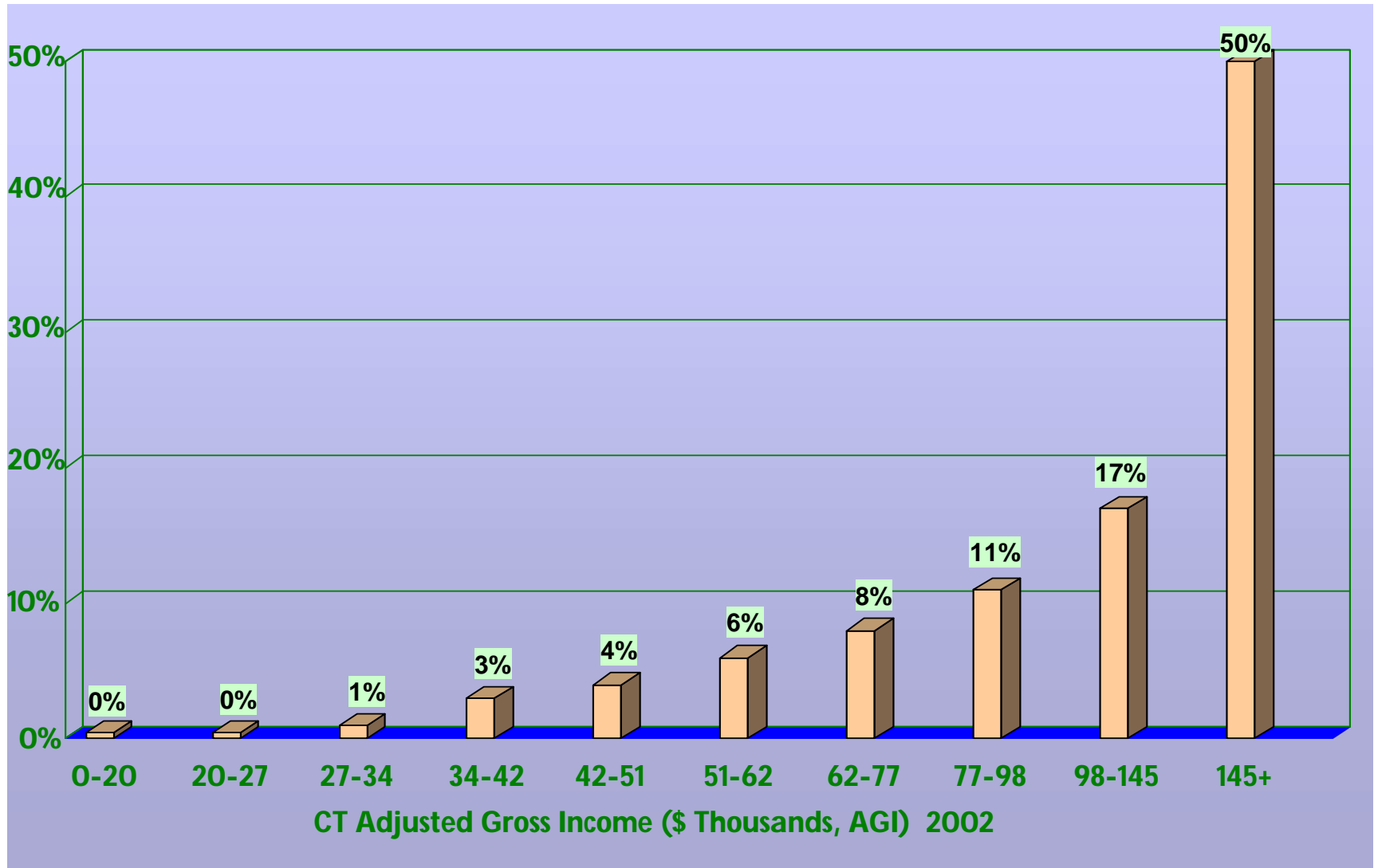
1995	50%
1996	23%
1997	65%
1998	27%
1999	21%
2000	23%
2001	-42%
2002Est.	-31%
2003Est.	8%
2004Est.	2%

# Income Tax Liability Per Return



Source: Department of Revenue Services

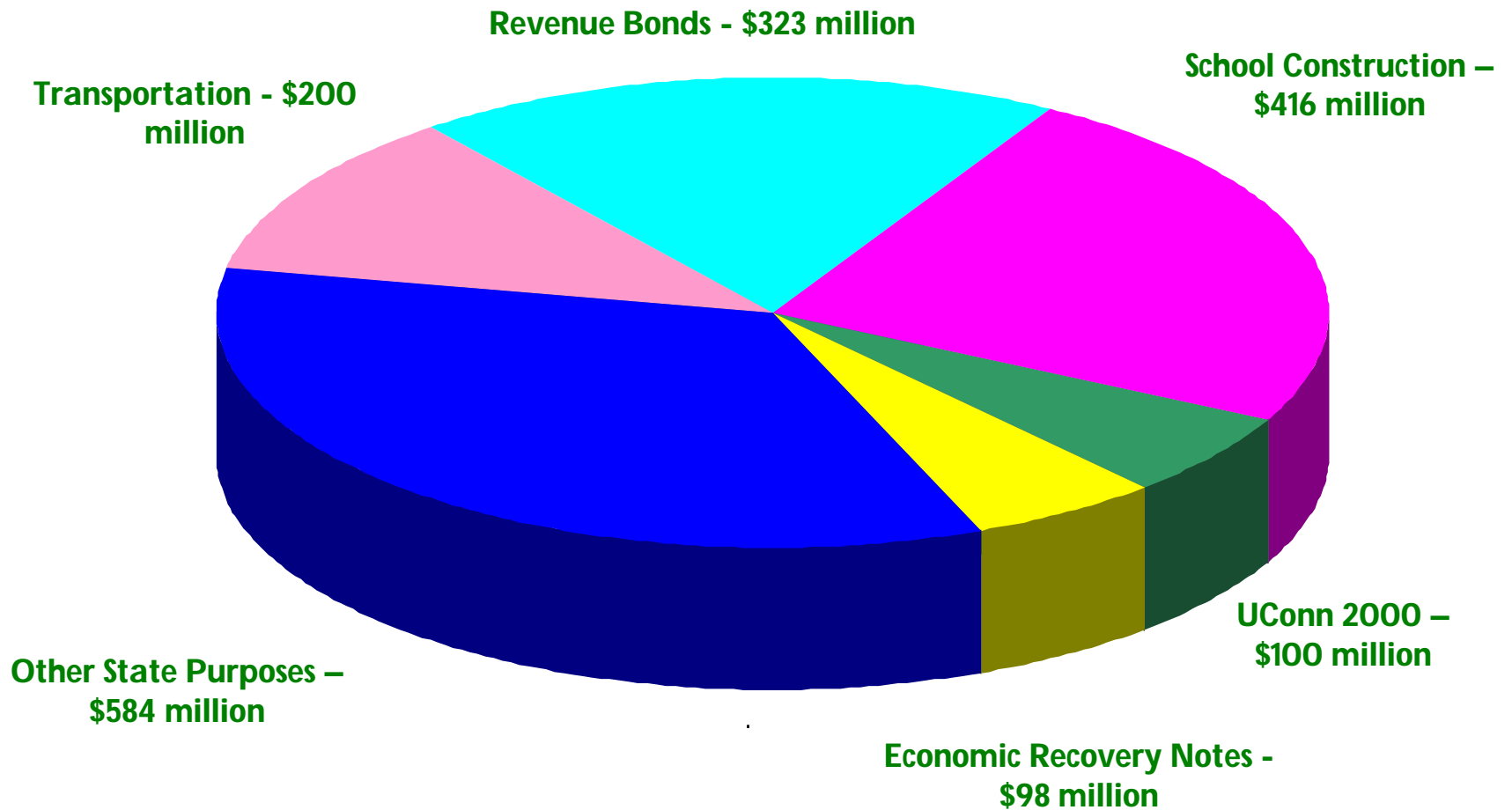
# Income Tax Revenues By Income Group



Source: Department of Revenue Services

# Bond Issuances \$1.7 Billion

## FY 04



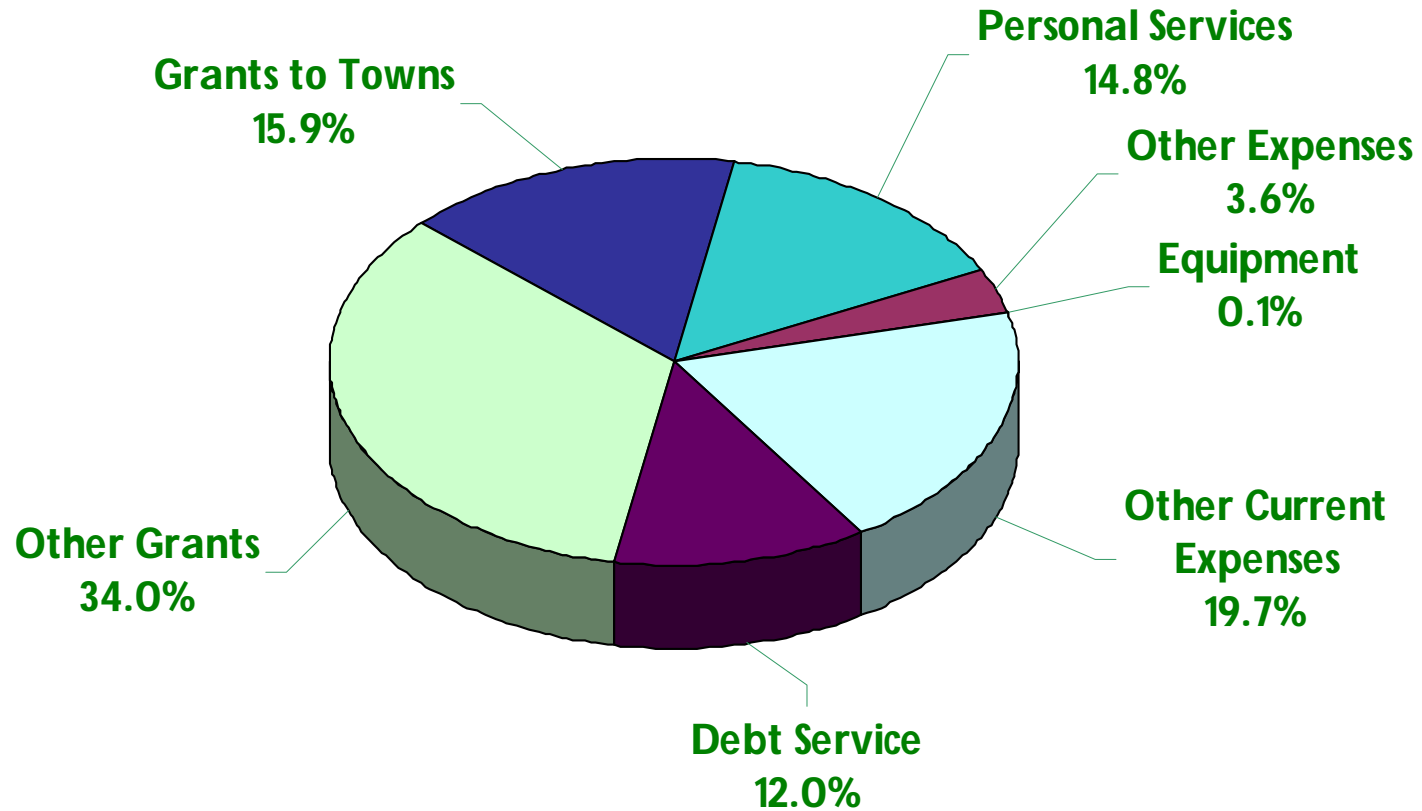
Source: State Treasurer

# HOW THE STATE SPENDS ITS MONEY

## All Appropriated Funds

By Character of Expenditure

FY 05 \$14,322.1 Million

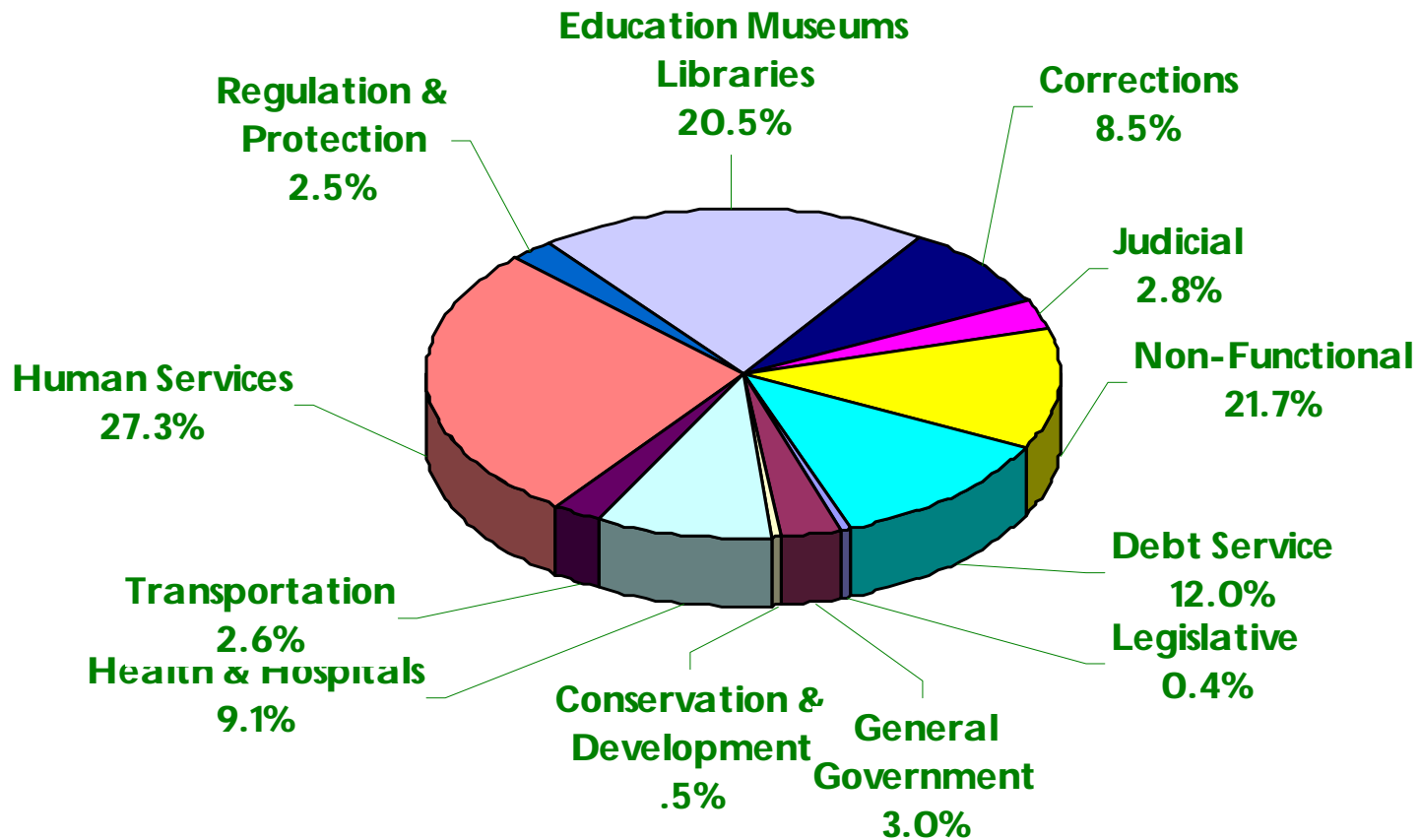


Source: Office of Fiscal Analysis

# All Appropriated Funds

By Function of Government

FY 05 \$14,322.1 Million



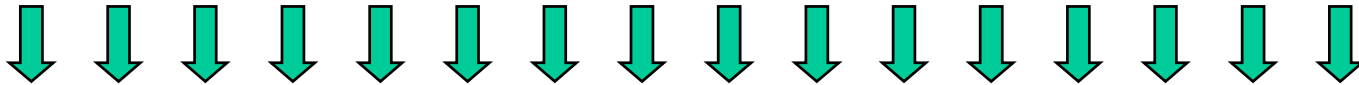
Source: Office of Fiscal Analysis

# Overview of the Budget

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*Spending Cap*

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**Appropriated Funds =  
Estimated Revenues**

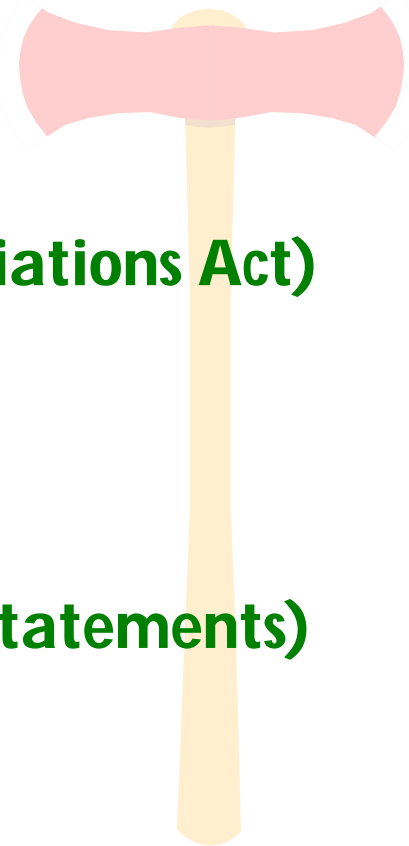
Growth=Base Year x  
5 Year Average Income Growth  
(or) Prior Years Inflation Rate:  
Which Ever is Greater



# The Budget Process: Two Parts

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- **Budget Formulation**
  - State Agency Requests
  - Governor & OPM
  - Legislature & OFA
  - Final Budget Action (Appropriations Act)
- **Budget Execution**
  - Appropriation
  - Quarterly Allotments
  - Oversight (Monthly Financial Statements)
- **Second Year of the Biennium**
  - Budget in Place
  - Expenditure/Revenue Estimates
  - Budget Revision



# Overview of the Biennial Budget



- **First Year of the Biennium**

- Governor Proposes a Two Year Budget with Separate Appropriations for each Year
- Budget Reviewed on Many Levels by Legislature
- Agreement is Reached and Budget Becomes Law

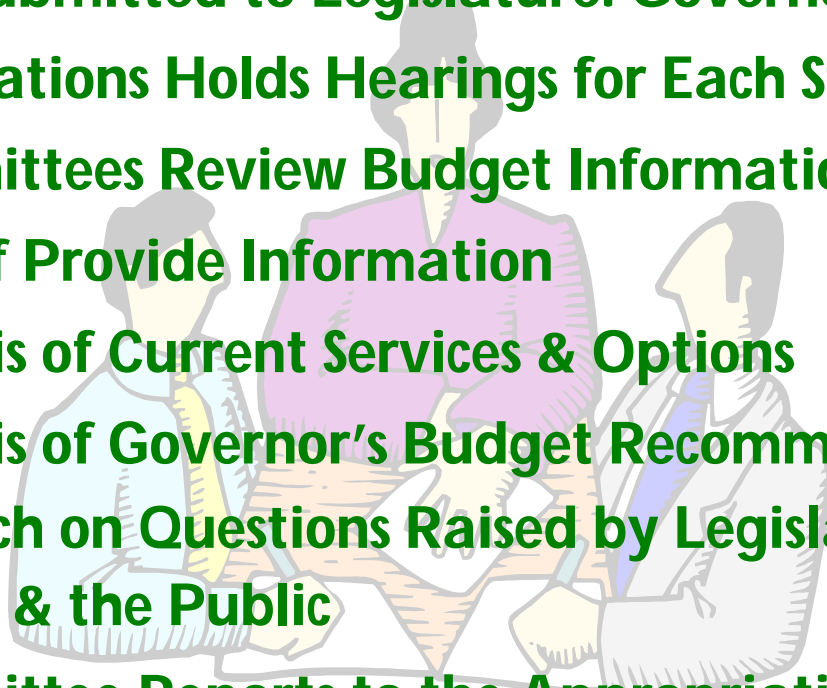
- **Second Year of the Biennium**

- Governor Proposes Revisions to the Second Year of the Budget by Amending the Current Law
- Budget Revisions Reviewed on Many Levels by Legislature
- Agreement is Reached and Budget Becomes Law

# Legislature's Budget Process

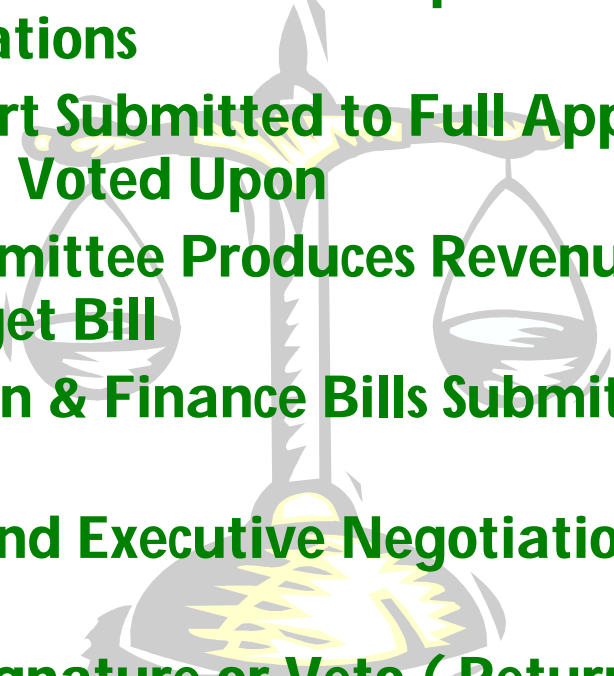
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- **Budget Submitted to Legislature: Governor's Message**
- **Appropriations Holds Hearings for Each State Agency**
- **Subcommittees Review Budget Information**
- **OFA Staff Provide Information**
  - **Analysis of Current Services & Options**
  - **Analysis of Governor's Budget Recommendations**
  - **Research on Questions Raised by Legislators, Interest Groups & the Public**
- **Subcommittee Reports to the Appropriations Chairmen**



# Legislature's Budget Process

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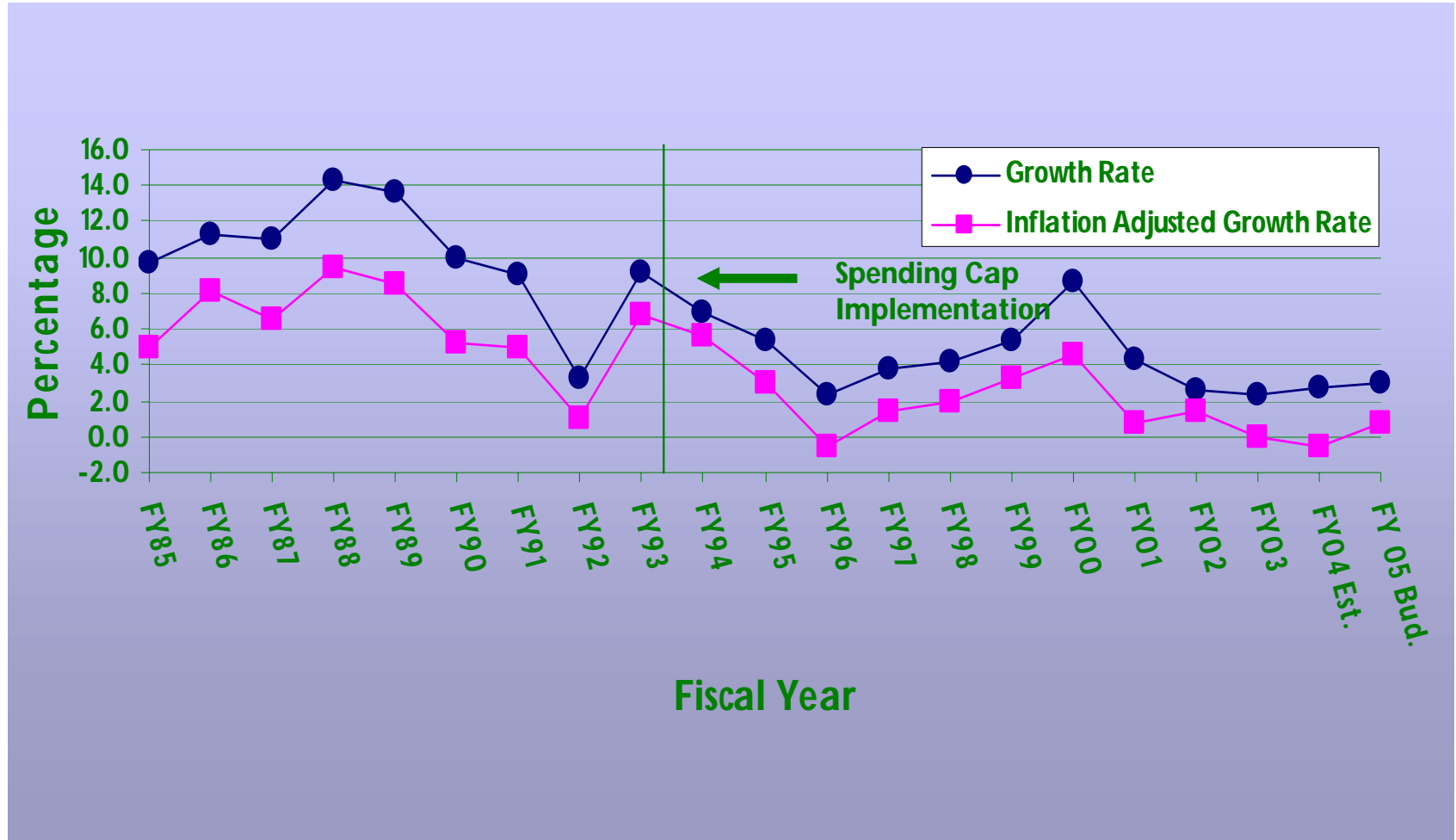
- **Appropriations Chairmen Prepare Budget Recommendations**
  - **Budget Report Submitted to Full Appropriations Committee & Voted Upon**
  - **Finance Committee Produces Revenue Estimates & Capital Budget Bill**
  - **Appropriation & Finance Bills Submitted to House & Senate**
  - **Leadership and Executive Negotiations on Budget Prior to Passage**
  - **Governor's Signature or Veto (Returned to Legislature)**
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# The Fiscal Note

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- ✓ A Brief Statement of the Fiscal Impact Legislation Would Have on State and Local Government
- ✓ Prepared as an Objective Non-Partisan Statement by the Analyst with Budgetary Responsibility for Agency Fiscally Affected
- ✓ Required of Every Bill, Amendment, or Conference Report that Reaches the House or Senate Floor
- ✓ Fiscal Notes on Bills are Printed with Each File, Notes on Amendments are Delivered to the Floor
- ✓ Fiscal Notes Need Not be Requested, They Are Prepared Upon Receiving A Bill or Amendment from LCO
- ✓ Informal Costs Estimates are Prepared Upon Request If Time Permits

# General Budget Expenditure Growth



Source: Office of Fiscal Analysis

# **Program Review and Investigations Committee Study of Budget Process September 2003**

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- **Incorporates a Long-term Perspective**
- **Links Budget to Broad Organizational Goals**
- **Focuses Decisions on Results**
- **Promotes Effective Communication Among Stake-Holders**
- **Provides Incentive to Improve Efficiency**

## Quality Index: How Does Connecticut Score

Best Practices	CT Score	Perfect Score (Avg. Score)	No. States
<b><i>Balanced Budget Requirements</i></b>	<b>16</b>	<b>20 (14)</b>	
• Legislature enact balanced budget - constitutional	8	8	33
• Governor submit balanced budget - constitutional	0	7	28
• Governor sign balanced budget - constitutional	5	5	34
• Statutes require balanced budget be enacted, submitted, and/or signed	3	9	17
<b><i>Governor's Power to Reduce Spending</i></b>	<b>20</b>	<b>25 (16)</b>	
• Line item veto	10	10	42
• Authority to reduce budget without legislative approval	5	5	36
- Unrestricted authority to reduce	0	10	10
• Quarterly or monthly allotment process	5	5	27
<b><i>Stabilization Funds</i></b>	<b>20</b>	<b>20 (19.7)</b>	
• Rainy day fund	5	5	47
• Amount in reserve (balance as percent of expenditures times 3)	15	15	49
- Actual budget balance (2001) at or above 5%	5%	Range: 5% - 134.6%	37
<b><i>Understandable Budget and Finances</i></b>	<b>20</b>	<b>35 (20)</b>	
• Budget includes information on:			
- Program descriptions	2	2	45
- Caseloads that drive spending	2	2	41
- Number state employees	2	2	48
- Performance indicators/results	2	2	42
- Separate capital outlay presentation	2	2	50
• Use GAAP	0	10	16
• Use multi-year forecasting	5	5	32
• Publish multi-year forecasts	5	5	21
• Appropriate all non-federal funds	0	3	35
• Governor cannot spend unanticipated federal funds without legislative approval	0	2	18
<b><i>TOTAL</i></b>	<b>76</b>	<b>100 (70)</b>	<b>50</b>

Source of data: *Index of State Budget Process Quality, State Policy Reports*, Vol. 20, Issue 6, March 2002.